



USDA Foreign Agricultural Service

GAIN Report

Global Agriculture Information Network

Template Version 2.08

Required Report - public distribution

Date: 1/23/2007

GAIN Report Number: GT7001

Guatemala

Tree Nuts

Macadamia

2007

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Report Highlights:

Macadamia nut production dropped slightly 6864 MT from 2005 production of 6899 MT. Small farmers are leaving the business in significant numbers, leading to a reduction in planted area. Only 125 farmers remain in the industry compared to 350 before 2005. The U.S. continues to be the best and only consistent market, taking 65-70% of exports.

Includes PSD Changes: Yes
Includes Trade Matrix: Yes
Annual Report
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Executive Summary

Guatemala's macadamia nut production dropped slightly from 6899 MT in 2005 to 6864 MT in 2006 (wet-in-shell basis, conversion factor 19%). The industry foresees a weakening in the market overall, as worldwide consumption is decreasing. This compares to 3-5% annual increases before 2005. The number of small farmers producing macadamia has dropped to almost half of the number in the past 3 years. Plantations have been reduced proportionally. Only big farmers who can hold stocks and wait patiently for market opportunities can continue in the business. The forecast for 2007 continues this diminishing trend.

Production

PSD Table						
Country	Guatemala					
Commodity	Macadamia	In Shell	Basis (MT)		(HA) 1000 TREES	
	2005 USDA Official [Old]	Estimate Post Estimate [New]	2006 USDA Official [Old]	Forecast Post Estimate [New]	2007 USDA Official [Old]	Forecast Post Estimate [New]
Market Year Begin		Jan-05		Jan-06		Jan-07
Area Planted	4249	4463	4463	4016	0	3615
Area Harvested	2274	2389	2389	2389	0	2389
Bearing Trees	388	408	408	405	0	405
Non-Bearing Trees	380	380	380	297	0	262
Total Trees	768	788	788	702	0	667
Beginning Stocks	50	19	19	19	0	18
Production	6983	6899	6899	6864	0	6855
Imports	0	0	0	0	0	0
TOTAL SUPPLY	7001	6918	6918	6883	0	6873
Exports	6817	6844	6844	6810	0	6800
Domestic Consumption	360	55	55	55	0	55
Ending Stocks	50	19	19	18	0	18
TOTAL DISTRIBUTION	7001	6918	6918	6883	0	6873

Production in 2006 dropped about 1%, and production in 2007 is forecast to drop again to 6855 MT. The average annual increase in macadamia production had been 5% for 2002-2004. In 2005 production increased about 3%. For 2006-2007 production numbers are expected to decrease or remain stagnant, in the best scenario.

The main factor affecting macadamia production is the continued weak international market for this nut. Small farmers cannot finance temporary stocking and therefore, from over 350 macadamia producers before 2005, just 125 producers have survived. Production is estimated to keep dropping as the number of non-bearing trees has decreased dramatically to less than half of the number of bearing trees. The production cycle of a macadamia plantation allows for a small crop in the fifth year after planting. Under ideal conditions, full production may be reached in 12-15 years. However, trees under drought stress may take up to twenty years to reach full production.

Plantations are still located at intermediate elevations along the Pacific slope in the departments of Sacatepequez, San Marcos, Quetzaltenango, Suchitepequez, Santa Rosa, Huehuetenango, Solola, and Alta Verapaz; Quiché is no longer a production site. Macadamia nuts are harvested throughout the year, but peak months are May, June, July, and August. Flowering begins between late August and early September with most flowering during the months of October, November, and December.

Agropecuaria Patzulín, S.A. continues to be the only major producer/processor/exporter company in Guatemala. Patzulín pioneered the macadamia nut industry in Guatemala and all of Latin America. Its first orchards were planted in 1972 with grafted Hawaiian varieties. The company has more than 325,000 grafted macadamia nut trees growing on 4,550 acres at three farms located on Guatemala's South Coast highlands. In addition to the company's own production, the processing plant receives wet-in-shell nuts from eighty independent growers. The processing plant and shell burning boiler at Rio Bravo are being continuously upgraded, recently acquiring their ISO 9001-2000 certification. The processing plant supplies 90% of the export market.

In 2005, the Multiexport Company, which had been a major supplier to Hong Kong (10% of exports), went bankrupt.

Most macadamia trees are planted among other crops, such as bananas, plantains, or beans. According to producers most trees are now being grown as shade trees for coffee plants.

In 2007, average yields are expected to remain steady. Increases in yields are not expected in the next couple of years because weak demand for macadamia and lower international prices have reduced incentives to invest in production inputs (fertilizer) and hand harvesting.

Macadamia processors divide the shelled nuts according to their size and appearance. The initial grading of kernels for size and color is done by machine, with a final classification conducted by hand. A classification table follows:

Style 1 - large whole kernels
Style 2 - 50% whole kernels 50% halves
Style 4 - halves
Style 5 - large to medium nut pieces
Style 6 - medium to small nut pieces
Style 7 - small nut pieces
Style 8 – powder

Consumption

Macadamia consumption in Guatemala continues to be at a low level because of high retail prices combined with the low purchasing power of most Guatemalans, and a lack of consumer awareness. Most Guatemalans are not familiar with macadamia nuts and their uses. Producers are starting to find some acceptance for macadamia by-products such as oils, confectioneries, processed nuts and especially cosmetics, creating a niche market for macadamia. However ready-to-eat kernels were forced off the shelves last year due to low sales. Local retail prices for macadamia are around \$9.00 per pound, retail pack. In 2005, Guatemala consumed 55 MT of wet-in-shell macadamia nuts, 30% of what was consumed in 2004. Consumption in 2006 remained steady at 55 MT.

Trade

Export Trade Matrix			
Country	Guatemala		
Commodity	Macadamia, In shell Basis		
Time period	Jan-Dec	Units:	Metric Tons
Exports for:	2005		2006
U.S.	4487	U.S.	4698
Others		Others	
Costa Rica	4		1900
Japan	2		200
Belgium	1400		
Hong Kong	870		
Netherlands	80		
Total for Others	2350		2100
Others not Listed	7		12
Grand Total	6844		6810

Macadamia nut exports for calendar year 2006 decreased to 6,810 MT (wet-in-shell basis). In 2007, total exports are forecast to drop slightly. Guatemala's macadamia nuts are exported at 1.0 to 1.5 percent humidity. Macadamia kernels are vacuum packed in 25 pounds bags for export.

In 2006, macadamia kernels were exported mainly to the U.S. and the rest was distributed between Costa Rica and Japan. U.S. has been the only consistent market throughout the years and takes 65-70% of the market. The rest of Guatemala's markets, both European and Asian, are very inconsistent in their purchases.

The average macadamia kernel FOB export price during 2006 was between US\$ 4.00/lb and US\$ 4.50/lb. In 2007, the average price is expected to drop to US\$ 4.00. According to the major exporting company, their market efforts for the next five years will concentrate on maintaining quality for their existing markets, especially their strongest market, the United States. The industry will try to reach new Asian markets, as U.S. and European markets seem to have full warehouses for the first nine months.

The macadamia industry has experienced difficulties in selling 2006 and 2007 production. In previous years, exports have been sold on quota contracts, mostly pre-sold by the end of January. For 2007 as 2006, the main buyers are not planning to execute contracts until September.

Stocks

Guatemala does not hold large volumes of macadamia nuts in stock because most are exported immediately. In Guatemala the exporter owns macadamia stock.

Policy

The Guatemalan Government has no policies of subsidies or assistance to producers or exporters. ANACAFE, the Guatemalan coffee association, encourages coffee producers to utilize macadamia trees as shade for coffee plants to help the environment and at the same time help farmers to diversify their agricultural practices and sources of income. ANACAFE and Patzulin have provided some technical assistance.

Marketing

The market is experimenting with finished goods such as oils, liquors and cosmetics, but at this time most of the product is being shipped as ready-to-eat kernels.

Locally there are now three different brands on the supermarket shelves, but supermarket executives commented that the product rotation is still slow in comparison to other snack nuts.